

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Application of)	Docket No. _____
Deseret Generation & Transmission)	
Co-operative for Authority to Issue)	Application
Securities in the form of Secured)	For Authority to
Promissory Note to National Rural)	Issue Securities
Utilities Cooperative Finance)	
Corporation)	

Applicant Deseret Generation & Transmission Co-operative (ADeseret@ or "Applicant"), hereby applies for authority to issue securities in the form of a promissory note to the National Rural Utilities Cooperative Finance Corporation ("CFC") in connection with a Financing Transaction described below. The amount of the promissory note to be executed by Applicant is expected to be approximately \$10,000,000.00, as set forth at Schedule 1 of the attached Appendix submitted with this Application.

Pursuant to R746-110, Rules of the Public Service Commission, Applicant hereby requests Informal Adjudication of this Application. Applicant represents that the matter is anticipated to be unopposed and uncontested. Submitted herewith is an Appendix that includes Sworn Statements from the Applicant, Certified Documents and other relevant information necessary to establish the facts pertinent to this Application.

In support of this Application, Applicant represents as follows:

Background.

1. Applicant is a wholesale electric cooperative providing electric generating and transmission services to its six member rural electrical cooperatives who, in turn, provide retail electric services to their member/owners in the States of Utah, Wyoming, Arizona, Colorado, and Nevada. Deseret is a public utility subject to the jurisdiction of this Commission.

2. For several years, Deseret has faced severe financial difficulties. In 1996 and again in 1998, Deseret entered into a series of arrangements with its major creditors for restructuring and recapitalizing Deseret's secured indebtedness. As part of the 1998 Recapitalization Agreement (the "Recapitalization Agreement"), Deseret entered into a long-term debt restructuring arrangement with its single largest creditor, the National Rural Utilities Cooperative Finance Corporation ("CFC").

3. Deseret depends upon CFC as a primary source of additional financing, and has from time to time, arranged through CFC or through facilities of CFC, for needed financing support in the form of, among other things: letter(s) of credit for marketing and sales transactions; revolving working capital loan(s) for finance liquidity and other working capital needs, among other things.

4. Deseret anticipates a number of likely developments which will require Deseret to raise additional cash to be able to pay for certain operational and other needs expected during the coming months. These include, without limitation: (i) a significant maintenance outage and concomitant repair overhauls taking place at the Bonanza Unit during the month of May, 2009; (ii) a reduction in anticipated revenue due to loss of sales occasioned as the result of the May 2009 outage at Bonanza; (iii) replacement of aging equipment used to operate and maintain the 345kV transmission system owned and operated by Deseret; (iv) increased expenditures for mine-safety related equipment and stores at the Deserado Mine operated by Deseret's wholly owned subsidiary, Blue Mountain Energy, Inc., to name a few.

5. In addition, CFC has offered to Deseret an opportunity to purchase, and Deseret has expressed interest in purchasing, certain long-term member capital certificates ("Member Certificates") - which are subordinated long-term debt investment(s) in CFC. Due to the unique capital structure of CFC, as a member-owned cooperative, CFC's ability to attract and sustain capital investments through its members, including Deseret, is a vital component to enable CFC to continue to support Deseret as a viable and stable financing source well into the future.

6. Deseret intends to utilize funds currently invested in marketable securities and/or other highly liquid assets to purchase the Member Certificates.

7. The operational demands on Deseret's existing cash balance, together with the purchase of Member Certificates will reduce the amount of liquid investments currently held by Deseret and which could otherwise be used by Deseret for ongoing cash and/or other liquidity needs.

Financing Transaction

4. Deseret and CFC have negotiated the terms of a long-term secured loan (the "2009 Secured Loan") whereby Deseret will issue a Secured Loan Note to CFC (the "2009 CFC Note"), in an amount not to exceed \$10 million.

7. Under the terms of the 2009 CFC Note, Deseret will repay the 2009 Secured Loan as follows:

a. In quarterly installments, over a period of up to and through December 31, 2025, of principal and accrued interest to amortize the outstanding balance of the 2009 Secured Loan. The 2009 Secured Loan will become due and payable in full in all events no later than December 31, 2025.

b. Subject to certain provisions pertaining to prepayments of the 2009 CFC Note, Deseret's existing obligations to CFC will not be modified, and Deseret will be required essentially to make payments of the 2009 CFC Note

will be made by Deseret in accordance with the terms thereof, regardless of Deseret=s cash flow during any given year and prior to calculating the amount payable to CFC on existing Debt from such Deseret cash flows.

8. The 2009 CFC Note may be prepaid at any time without penalty, provided such prepayment is made from Deseret=s uncommitted (retained) share of prior years= net cash flows (the share of prior years= net cash flows which Deseret is not obligated to pay to CFC under the terms of its existing debt arrangements is called the ADeseret Retained Share@). Other prepayments may be made only with the consent of CFC.

9. The 2009 CFC Note will bear interest at a fixed rate, or a variable interest rate, or a combination of fixed and variable rates, at Deseret=s election at the time of each Advance requested thereunder, but may be converted at Deseret=s option, either from a fixed to variable rate, or from variable to fixed rate, as set forth in the terms of the draft Loan Agreement included in Appendix AA.@

10. Amounts owed by Deseret to CFC under the 2009 CFC Note will be secured by the consolidated mortgage and financing statement executed by Deseret in connection with the 1996 debt restructuring arrangement with CFC, as previously modified to reflect the terms of various financing transactions preceding this one.

Public Interest

11. The Financing Transaction and the 2009 Secured Loan were negotiated and structured to avoid any adverse impact on the positions, rights, remedies and risks of Deseret's Members under the 1996 and the 1998 debt restructuring and the Recapitalization Agreements, respectively, as well as all other existing agreements, amendments, and arrangements between Deseret and CFC. Deseret does not anticipate any changes to its member rates or charges as a consequence of the Financing Transaction.

12. The representatives of all six Deseret Members on Deseret's Board of Trustees have actively participated in the development of, and the Board of Trustees has approved the terms of the Financing Transaction, including the 2009 Secured Loan arrangement.

13. Applicant has determined that the Financing Transaction will add an increased level of certainty and stability to Deseret's financial position, will increase its ability to meet anticipated cash demands during the coming months, and will otherwise present opportunities to Deseret on terms that are advantageous to Deseret. The Financing Transaction will help avoid and/or delay financing(s) as may become necessary from time to time in support of ongoing operations.

14. Applicant expects that the Financing Transaction and related investment in CFC Member Certificates will, at worst, be

revenue neutral to the Applicant, and may provide significant savings depending on the exact return on investment of loan proceeds, including cash derived from Deseret's future operations.

15. Pursuant to R746-110-2, Applicants request that the Commission determine the nature of any notice of this informal proceeding that may be appropriate. Applicants submit that adequate notice would be as follows:

Artie Powell
Utah Division of Public Utilities
160 East 300 South, 4th Floor
Salt Lake City, UT 84114

Committee of Consumer Services
160 East 300 South, 4th Floor
Salt Lake City, UT 84114

Mr. Danny Eyre
Bridger Valley Electric Association
P. O. Box 399
Mountain View, WY 82939

Mr. LaDel Laub
Dixie-Escalante Rural Electric Association
71 E. Highway 56
Beryl, UT 84714

Mr. Durand Robison
Flowell Electric Association
495 N. 3200 W.
Fillmore, UT 84631

Mr. Carl Albrecht
Garkane Energy Cooperative, Inc.
Box 495
Loa, UT 84747

Mr. Grant J. Earl
Moon Lake Electric Association
P. O. Box 278
Roosevelt, UT 84066

Mr. Randy Ewell
Mt. Wheeler Power, Inc.
P. O. Box 15100
Ely, NV 89315-1000

Timing.

16. Applicants request expedited and informal consideration of this Application on the grounds that the terms and conditions of the Financing Transaction have previously been reviewed by and approved by Deseret's governing board which represents all six (6) of Deseret's members. CFC requests that Deseret conclude its purchase of Member Certificates in a timely manner as to make such purpose prior to the end of CFC's fiscal year, which is May 31, 2009. Accordingly, Applicant requests that a Report and Order be issued no later than May 31, 2009, in time for Deseret to execute the 2009 CFC Note, obtain funding from CFC, and proceed to closing under the Note Purchase Transaction on December 16, 2005. Pursuant to R746-110-2, Applicant requests waiver by the Commission of the 20-day tentative period for good cause, as shown above.

Requested Action

Wherefore, Applicant asks this Commission to issue an order approving and authorizing the issuance of securities by Deseret in the form of the 2009 CFC Note to CFC in connection with the Financing Transaction in the amounts and for the purposes specified herein.

DATED this 11th of May, 2009

David F. Crabtree

Vice President, General Counsel
Deseret Generation & Transmission
Co-operative
10714 South Jordan Gateway, Suite 300
South Jordan, UT 84095
(801) 619-6500